

CONANT AND ASSOCIATES, LTD.

WORLD ENERGY AND RESOURCES

November 30, 1982

Dr. Henry S. Rowen, Chairman
National Intelligence Council
Central Intelligence Agency
Washington, D.C. 20505

Dear Henry:

You and I are again to share a panel -- this time at Brookings on Wednesday, December 15th, 0915-1045 and I welcome the opportunity.

Let me share some ideas as to how I would like to discuss "energy demand projections" and you could let me know if I trespass on your own thoughts:

- (1) Energy demand (and supply) projections have been misleading in the past for reasons I'm not sure of; who can now accept current assumptions as to demand, supply, the economics, and politics of energy flows?
- ✓ (2) Security is one of my concerns; that means oil imports mainly not for the U.S. alone but for NATO/OECD.
- ✓ (3) Whatever declining share oil will have in national energy budgets, oil will still be the key fuel for most of OECD through the next ten years, at least.
- (4) We remain import dependent (so do most allies); we are less dependent on Middle East oil; our allies are not.
- ✓ (5) Spare producing capacity lies with OPEC.
- ✓ (6) The discovery rate (in the U.S.) and elsewhere indicates continuing importance of Middle East supply to the OECD.
- (7) Role of gas is increasing especially for Europe; China's energy challenge warns it could also be a claimant on international energy supplies.

*rejection of high
price
character of
demand*

*← One
panel*

*+ Japan
+ elsewhere*

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- (8) It's very important that we get our data and our exercises (models, etc.) more sensitive to the true depth of our knowledge -- e.g., elasticity -- and to "surprises." ✓

Obviously, this series of points can only be discussed telegraphically.

Best regards,



President

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